

**SAN JUAN COUNTY, WASHINGTON**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. The County Should Prepare And Submit Timely Annual Financial Reports

San Juan County's 1993 annual report was not prepared and submitted to the Office of State Auditor until September 1994, over four months after the due date of May 30, 1994. RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the division within one hundred and fifty days after the close of each fiscal year.

The annual report was late because the county's general ledger was not finalized and, therefore, the related financial statements could not be prepared.

When the county does not prepare and file financial reports as required by state law, users of the report are denied the county's financial information. Users include:

- The Washington State Legislature, which receives a copy of the annual volume of comparative statistics for all municipalities published pursuant to RCW 43.09.230.
- The general public interested in reports on the cost of public services.
- The State Auditor's staff who find that the absence of financial reports cause delays in audit work and accordingly, audit time and costs are significantly increased.
- County commissioners' whose use of the report as a management tool is diminished when the report is not issued timely.

We again recommend county officials assign appropriate priority to the preparation of an accurate and timely annual report.

2. The County Should Improve Controls Over State Reporting

We found several exceptions with the "BARS A Expenditure Reports" submitted to the Washington State Department of Health for the Special Supplemental Food Program for Women, Infants and Children (CFDA 10.557) and the Maternal and Child Health Services Block Grant (CFDA 93.994) federal programs.

The grant contract requires the preparation of a second quarter and a fourth quarter "BARS A Expenditure Report" for these grants. The reports summarize grant revenues received and grant expenditures incurred. Instructions for the preparation of these reports are published in the *Budgeting, Accounting, and Reporting System (BARS) Supplementary Instructions for Public Health* manual effective January 1, 1991. During our review, we noted the following:

Second Quarter BARS A Expenditure Report

- a. Source documentation for direct payroll and claims expenditures did not agree to expenditures reported and, in some cases, was missing.
- b. The balance reported for "Total Personal Health Direct Full Time Equivalents (FTEs)" did not recompute. This is important as it is used in the calculation of indirect expenditures.
- c. Neither of the two prescribed cost allocation methods were used in charging indirect expenditures to the federal programs.

Fourth Quarter BARS A Expenditure Report

- a. Report was not completed in a timely manner. This report was due within 60 days of the close of the quarter. The report was not completed until June 1994.
- b. Direct, indirect, and overhead expenditures reported did not reconcile to expenditures recorded in the county's general ledger.

For both reports, we also noted a lack of review and approval over their preparation.

Consolidated contract No. 1620-02026 for the period January 1, 1993, through December 31, 1993, between the state of Washington Department of Health and the San Juan County Health Department, Exhibit A, Page 5, *Records, Documents and Reports* states in part:

The contractor shall maintain books, records, documents and other materials relevant to the provision of goods or services and adequate to document the scope and nature of the goods and services provided. Billing records are not sufficient for this purpose.

If the contract reimburses the contractor for costs incurred in performance, the contractor shall in addition maintain books, records, documents and other evidence of procedures and practices which sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this agreement.

These materials shall be available at all reasonable times for inspection, review, or audit by personnel duly authorized by the department, the Office of the State Auditor, and federal officials so authorized by law,

rule, regulation or contract. The contractor will retain these materials for six years after settlement or termination.

Because of the exceptions noted, the "BARS A Expenditure Reports" are inaccurate and are not a useful mechanism for monitoring federal program compliance requirements. See Federal Finding 1.

This condition appears to have occurred as a result of the following:

- a. Complexity of the report preparation process.
- b. Lack of computerized worksheets to assist in the preparation of the report.
- c. Lack of training from the state Department of Health with regard to the preparation of the report and required supporting documentation.
- d. Lack of review and approval.

We recommend the San Juan County Health Department improve controls over state reporting by continuing to seek training from the Department of Health, by computerizing elements of the report, and by having a supervisor review and approve the reports for accuracy prior to submission.